BANORTE

Economic and Financial Markets Research

Economic Research and Market Strategy

Financial Markets Daily

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Main drivers for the financial markets today…

- **Stock markets down –with S&P500 futures with few changes–, with the USD and government bond yields higher, with investors reacting to inflation data in the Eurozone, as well as caution in their expectations of Fed rate cuts due to comments from members with greater attention on the inflation target**

- **In this sense, April's inflation print in the Eurozone was in line with the preliminary figure at 2.4% y/y, with the core also unchanged at 2.7%. This is expected to support a first rate cut by the ECB in June, although there are still mixed comments from several members of the central bank on the matter. On the other hand, last night in China, April's activity data was published, highlighting a surprise increase in industrial production (6.7%), although with lower retail sales (2.3%)**

- **On the monetary front, in the US we will be looking into comments from Waller, Kashkari and Daly, this in a context in which other members have maintained a cautious tone in their communications, skewing towards the hawkish camp even despite positive inflation data earlier in the week**

- **Efforts to boost the real estate market continue in China. The newest measures include scrapping a minimum mortgage rate, in addition to seeking to reduce payments by relaxing certain mortgage regulations. In addition, local governments were requested to buy houses directly from developers to sell them at more affordable prices. This will be supplemented by a US$41.5 billion injection of resources by the PBoC. In this context, April's data showed that housing prices had their largest decline in a decade**

- **There are renewed pressures on the yen, this after the BoJ left bond purchase amounts untouched, this after signs that they could be trimmed back. With this, the currency is trading around 155.84 per dollar**

- **Vladimir Putin's visit to China concluded with a joint statement with President Xi Jinping, mentioning that both countries will work more closely in key sectors such as energy, space, and military. Regarding the latter, the focus will be on energy imports by China, where more attractive prices could be seen given the sanctions against Russia**

The most relevant economic data…

	Event/Period	Unit	Banorte	Survey	Previous
Eurozone					
5:00	Consumer prices - Apr (F)	% y/y	--	2.4	2.4
5:00	Core - Apr (F)	% y/y	--	2.7	2.7

Source: Bloomberg and Banorte. (P) preliminary data; (R) revised data; (F) final data; * Seasonally adjusted, ** Seasonally adjusted annualized rate.

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A glimpse to the main financial assets

	Last	Daily chg.
Equity indices		
S&P 500 Futures	5,325.00	0.1%
Euro Stoxx 50	5,055.05	-0.3%
Nikkei 225	38,787.38	-0.3%
Shanghai Composite	3,154.03	1.0%
Currencies		
USD/MXN	16.66	-0.2%
EUR/USD	1.08	-0.2%
DXY	104.72	0.2%
Commodities		
WTI	79.62	0.5%
Brent	83.54	0.3%
Gold	2,392.30	0.6%
Copper	497.90	1.8%
Sovereign bonds		
10-year Treasury	4.40	2pb

Source: Bloomberg

Equities

- **Negative bias in the main stock markets, reflecting caution among investors after the recent record highs in the US and after continuing to recalibrate the monetary outlook**
- **Futures in the US anticipate an unchanged opening. In particular, Reddit shares are up more than 11% in pre-market after publishing a content partnership with OpenAI. In Europe, slight declines prevailed and the Eurostoxx fell 0.3%, dragged down by the technology sector. Asia closed mixed, although the Shanghai rose 1.0% after the Chinese government announced the relaxation of some measures to support the real estate sector**
- **As the US earnings season draws to a close, the balance has been positive. So far, 93% of the S&P500 reports have been registered and earnings are up 4.6% vs. 3.9%e at the beginning of the season. TThe positive surprise rate stands at 79.5%**

Sovereign fixed income, currencies and commodities

- **Sovereign bonds trade under pressure as Europe adjusts upwards by 3-4bps, leading the global movement where USTs extend yesterday's losses by 1-2bps, with with the long-end underperforming. Yesterday, Mbonos recorded losses of 5bps, although the weekly balance holds gains of 6bps, adding to the strong performance in May (-25bps)**
- **Negative bias in G10 currencies remains within tight ranges, with EM currencies' performance also mostly negative vs the USD. The MXN decouples modestly, maintaining levels near to yesterday's close around the 16.68 area**
- **Oil is heading for a modest weekly gain, with US inventories supporting recent dynamics, partially offsetting lower global demand expectations. Metals with a broad positive tone, with gold adding two weeks of gains**

Corporate Debt

- **Fitch Ratings affirmed Banregio's long- and short-term ratings at 'AA(mex)' and 'F1+(mex)', respectively. The outlook is Stable. The ratings reflect the company's consistent business model with good operating profits, as a result of its consistent commercial strategy focused on medium-sized companies in proven geographic areas or those with greater economic dynamism in the country**
- **HR Ratings affirmed Grupo Profuturo's ratings at 'HR AAA' with a Stable outlook and at 'HR+1' for the short term. The ratings are based on the company's solid debt profile, which presents a negative net debt of MXN -3.7 billion at the end of 2023 and translates into a net debt to equity ratio of -31.8%**

Previous closing levels

	Last	Daily chg.
Equity indices		
Dow Jones	39,869.38	-0.1%
S&P 500	5,297.10	-0.2%
Nasdaq	16,698.32	-0.3%
IPC	57,462.17	0.0%
Ibovespa	128,283.62	0.2%
Euro Stoxx 50	5,072.45	-0.6%
FTSE 100	8,438.65	-0.1%
CAC 40	8,188.49	-0.6%
DAX	18,738.81	-0.7%
Nikkei 225	38,920.26	1.4%
Hang Seng	19,376.53	1.6%
Shanghai Composite	3,122.40	0.1%
Sovereign bonds		
2-year Treasuries	4.80	7pb
10-year Treasuries	4.38	4pb
28-day Cetes	10.95	0pb
28-day TIIE	11.24	0pb
2-year Mbono	10.60	7pb
10-year Mbono	9.67	2pb
Currencies		
USD/MXN	16.69	0.0%
EUR/USD	1.09	-0.2%
GBP/USD	1.27	-0.1%
DXY	104.46	0.1%
Commodities		
WTI	79.23	0.8%
Brent	83.27	0.6%
Mexican mix	74.31	0.7%
Gold	2,376.86	-0.4%
Copper	487.70	-1.0%

Source: Bloomberg

Analyst Certification.

We, Alejandro Padilla Santana, Juan Carlos Alderete Macal, Alejandro Cervantes Llamas, Marissa Garza Ostos, Katia Celina Goya Ostos, Francisco José Flores Serrano, José Luis García Casales, Santiago Leal Singer, Víctor Hugo Cortes Castro, José Itzamna Espitia Hernández, Leslie Thalía Orozco Vélez, Hugo Armando Gómez Solís, Carlos Hernández García, Yazmín Selene Pérez Enríquez, Cintia Gisela Nava Roa, Miguel Alejandro Calvo Domínguez, José De Jesús Ramírez Martínez, Daniel Sebastián Sosa Aguilar, Gerardo Daniel Valle Trujillo, Luis Leopoldo López Salinas, Marcos Saúl García Hernandez, Juan Carlos Mercado Garduño, Ana Gabriela Martínez Mosqueda, Jazmin Daniela Cuautencos Mora, Andrea Muñoz Sánchez and Paula Lozoya Valadez, certify that the points of view expressed in this document are a faithful reflection of our personal opinion on the company (s) or firm (s) within this report, along with its affiliates and/or securities issued. Moreover, we also state that we have not received, nor receive, or will receive compensation other than that of Grupo Financiero Banorte S.A.B. of C.V for the provision of our services.

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	Reference
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HOLD	When the share expected performance is similar to the MEXBOL estimated performance.
SELL	When the share expected performance is lower than the MEXBOL estimated performance.

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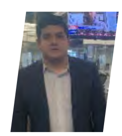

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